

## **ARTICLE XII**

### **Loans**

#### **Section 1.** **Loans**

Loans may be made only to members except as specifically otherwise provided in the Act. Loans shall be made in accordance with applicable laws and regulations, the provisions contained in these bylaws and any further conditions imposed by loan policies adopted by the board of directors.

#### **Section 2.** **Loan policies**

The board of directors shall develop and adopt comprehensive, written loan policies. These policies will take into consideration the needs of the borrower as well as the safety and soundness of the credit union and will address, at a minimum, the following:

- a. Loan limits for each type or class of loan.
- b. Loan request documentation requirements. The loan request documentation must contain sufficient information for analyzing the character and financial condition of each loan applicant and, if required, the cosigner or guarantor to ascertain their ability to repay fully and promptly.
- c. Maximum maturity, terms of payment and amortization periods on all types of loans.
- d. Requirements for collateral.
- e. Real estate loan policies which should include, at a minimum, requirements pertaining to appraisals or other means of establishing value, title insurance, and hazard insurance.
- f. Predetermined loan approval criteria which should include, at a minimum, the detailed criteria used for loan and line of credit approvals, how loan delinquency and charge-offs of loans approved under the criteria will be tracked and reported to the board of directors, procedures for on-going testing of approved loans to ensure the loans met the predetermined loan approval criteria, and individual and aggregate limits for loans approved using the predetermined loan approval criteria.

**Section 3.**  
Approval

No loan or line of credit, renewal of a loan or line of credit, extension agreement, deferral of payments, or releases or substitution of security on a loan shall be made except upon approval by a majority of the members of the credit committee, the board of directors if there is no credit committee, a loan officer to whom such authority has been properly delegated, or the board of directors through the use of predetermined loan approval criteria. The records of the credit union shall reflect who granted the approval.

**Section 4.**  
Loans to  
Officials

Loans to officials shall be made in the same manner as are loans to other members with the following exceptions:

- a. An applicant shall not pass on his/her own loan.
- b. A loan officer may only be delegated the authority to approve the following classes of loans to officials:
  - (1) Loans fully secured by shares and deposits.
  - (2) Loans under an existing open-end revolving credit agreement providing a specific amount has been pre-approved by the credit committee or the board of directors if there is no credit committee.
- c. In the event a loan made to or cosigned or endorsed by any official becomes three (3) months delinquent, his/her status as an official shall automatically cease and the office shall be declared vacant and filled in the manner prescribed in the Act.
- d. No official shall be permitted to act as cosigner or endorser for borrowers, except as permitted by law.
- e. All loans outstanding to officials shall be shown as a separate item in the balance sheet of the credit union and in all reports rendered by the credit union.

**Section 5.**  
Promissory  
Note

Each loan or other extension of credit shall be evidenced by a promissory note or an agreement signed by the borrower.

**Section 6.**  
Loan Limits

- a. The aggregate indebtedness of a member, including loans secured or unsecured, liability as cosigner, endorser, guarantor or otherwise, shall not exceed an amount fixed by the board of directors, provided, however, that no loan may be made to any member if, upon the making of such loan, the member would be indebted to the credit union upon all loans in an aggregate amount which would exceed the greater of \$20,000 or 20% of the sum of all reserves and undivided earnings, excluding the allowance for loan losses, of the credit union as determined at the most recent year end. Loans fully secured by a pledge of shares or deposits, and loans where the principal amount is insured or guaranteed at least 90% by the United States Government or this State or an agency of either the United States Government or this State are not included in this loan limit.

Real Estate  
Loans

- b. A loan secured by a lien on real estate may be made up to a maximum amount as fixed by the board of directors, provided the aggregate amount of loans thereon does not exceed 100% of the appraised valuation of the real estate as certified, in writing, by a qualified appraiser. The appraisal shall be conducted in compliance with part 722 of the national credit union administration rules and regulations.
  - (1) Non-purchase money loans secured by real estate which are made for an original amount not greater than \$100,000 and which are otherwise within the limits of this section, may be evidenced by the following instead of the qualified appraisal required by this section:
    - (a) A statement in the member's credit file documenting the use of state equalized value in determining the value of real estate securing such loans. The maximum value so determined for such real estate shall not exceed 200% of the state equalized value of such real estate.
    - (b) A statement in the member's credit file documenting the results of an on-site inspection of the real estate securing such loans by a person or persons specifically designated by the board of directors to perform such inspections.

- (2) The credit union may grant loans with a lien on real estate as secondary collateral without the requirement of an appraisal, title insurance or hazard insurance when such additional collateral is taken solely as an abundance of caution to ensure repayment. Real estate taken as additional collateral will be deemed to be taken as an abundance of caution when the loan terms, as a consequence, are not more favorable than they would have been in the absence of the lien on the real estate.

**Section 7.**  
Security

Should security be required as a condition of granting a loan, the maximum amount of the loan shall not exceed the fair market value of the security in addition to the unsecured limit fixed by the board of directors, but shall in no case exceed the maximum loan limit fixed in Section 6 of this Article.

**Section 8.**  
Fines on  
Delinquent  
Loans

Fines on delinquent loans may be established by the board of directors and contracted for with the member, but in no case shall exceed the amount permitted by the credit reform act, public act 162, of the public acts of 1995, as amended.